

Message Text

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15

ACTION XMB-07

INFO OCT-01 EUR-25 ISO-00 ACDA-19 MC-02 AID-20 CIAE-00

COME-00 EB-11 FRB-03 INR-11 NSAE-00 RSC-01 TRSE-00

OPIC-12 SP-03 CIEP-03 OMB-01 CAB-09 DODE-00 DOTE-00

FAA-00 NSC-07 SS-20 STR-08 CEA-02 PRS-01 L-03 H-03

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R 250900Z SEP 74

FM AMEMBASSY HELSINKI

TO SECSTATE WASHDC 7901

INFO AMEMBASSY COPENHAGEN

AMEMBASSY LONDON

AMEMBASSY MOSCOW

AMEMBASSY OSLO

AMEMBASSY STOCKHOLM

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E.O. 11652: N/A

TAGS: BPRO, EFIN, EAIR, FI, UR

SUBJECT: POSSIBLE EXPORT-IMPORT BANK FINANCING OF U.S.
AIRCRAFT PURCHASE

REF: A-161, SEPT. 16, 1974

1. FINNAIR HAS APPLIED TO EXIM BANK FOR PRELIMINARY
COMMITMENT ON FINANCING OF PURCHASE OF UP TO NINE
DC 9-50 AIRCRAFT. COMPANY OFFICIALS STRONGLY PREFER
DC-9-50'S OVER OTHER SIMILAR TYPES, INCLUDING SOVIET.
EXTENT OF EXIM BANK PARTICIPATION IS KEY, AS FINNAIR
DOES NOT THINK IT CAN BORROW MUCH AT THIS TIME ON
INTERNATIONAL MEDIUM-TERM CAPITAL MARKET. EMBASSY
STRONGLY RECOMMENDS EXIM BANK PARTICIPATION.

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2. FINNAIR PRESIDENT GUNNAR KORHONEN HAS SENT AMBASSA-

DOR COPY OF LETTER FROM FINNAIR TO EXPORT-IMPORT BANK
RELATIVE TO POSSIBLE PURCHASE OF UP TO NINE MCDONNELL
DOUGLAS DC 9-50'S BY MID-1978. LETTER OUTLINES ESTIMATED
PRICE OF \$52 MILLION FOR AIR FRAMES, ENGINE SPARES, TOOLS
AND MAINTENANCE EQUIPMENT AND REQUESTS EXIM BANK POSITION
IN REGARD TO PARTICIPATION. FINNAIR REQUESTS EXIM PARTI-
CIPATION GREATER THAN NORMALLY EXTENDED UNDER CURRENT BANK
GUIDELINES AND CITES FINNAIR'S RELATIVELY LIMITED POSSIBI-
LITY OF RESORTING TO INTERNATIONAL MEDIUM-TERM CAPITAL
MARKET.

3. OUR A-161 OF SEPT. 16 WAS ABOUT THIS POSSIBLE SALE
OF U.S. AIRCRAFT TO FINNAIR. IN IT EMBASSY STRONGLY
RECOMMENDED THAT EXIM BANK PARTICIPATE IN FINANCING OF
PROPOSED TRANSACTION WHICH OTHERWISE WOULD PROBABLY FALL
THROUGH.

4. WE BELIEVE INACCURATE, ITEM IN INTERNATIONAL MARKETPLACE
PAGE OF NEWSWEEK OF SEPT. 23 PREDICTING THAT FINNAIR WILL
PROBABLY END UP CHOOSING SOVIET-BUILT AIRCRAFT INSTEAD OF
DC 9-50'S AS REPLACEMENTS FOR ITS SUPER CARAVELLES,
DESPITE FACT FINNAIR'S EXECUTIVES "LEAN" TOWARD THE AMERICAN
AIRCRAFT. AS REPORTED IN OUR A-161, BOARD OF FINNAIR
IS UNDER PRESSURE TO BUY SOVIET AIRCRAFT. HOWEVER, THEY
STRONGLY FAVOR PURCHASE OF DC 9-50'S. PRESIDENT KORHONEN
DID CONFIRM THAT FINNAIR WAS LOOKING AT YAK-40, BUT THESE,
IF PURCHASED, WOULD NOT BE SUBSTITUTE FOR DC 9-50'S WHICH
WOULD BE USED MAINLY ON EUROPEAN ROUTES, NOT SHORT-HAUL
CARGO AND PASSENGER HAULING WITHIN FINLAND WHICH YAK-40
SUITABLE FOR.

5. NEWSWEEK CLEARLY WRONG IN STATING THAT TRADE BALANCE
WITH USSR HAS TIPPED HEAVILY IN FAVOR OF FINNS. INSTEAD
FINLAND'S DEFICIT IN COMMODITY TRADE WITH USSR FOR FIRST
SEVEN MONTHS OF 1974 REACH FMK 1,234 MILLION (\$1.00-
FMK. 3.8) AS COMPARED TO A DEFICIT OF FMK. 168 MILLION
IN JANUARY THROUGH JULY 1973. THIS EXTREME WORSENING OF
TRADE ACCOUNT WITH SOVIETS WAS DUE LARGELY TO SHARP
INCREASE FROM JANUARY 1, 1974, IN PRICE OF SOVIET CRUDE
OIL AND PETROLEUM PRODUCTS. FINLAND OBTAINS ABOUT TWO-
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THIRDS OF ITS NEEDS FROM USSR. ATTRACTION OF SOVIET
AIRCRAFT WOULD NOT BE CONTRIBUTION THEIR PURCHASE WOULD
MAKE TOWARD BALANCING SOVIET-FINNISH TRADE ACCOUNT(IT
WOULD INCREASE ALREADY EXISTING FINNISH DEFICIT) BUT
RATHER FACT THAT FINNS COULD, ACCORDING TO FINNAIR
OFFICIALS", WRITE THEIR OWN TICKET" AS TO FINANCING TERMS...

6. FROM HELSINKI VANTAGE POINT, WE HOPE THAT EXIM BANK

PARTICIPATION IN DC 9-50 FINANCING PACKAGE AS REQUESTED
BY FINNAIR WILL BE POSSIBLE. THE SALE COULD MAKE USEFUL
CONTRIBUTION TO U.S. TRADE ACCOUNT WITH FINLAND AND TO
OVERALL U.S. BALANCE OF PAYMENTS.
KREHBIEL

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